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INFO RUCNCIS/CIS COLLECTIVE 1603  
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RUEHBJ/AMEMBASSY BEIJING 0980  
RUEHKO/AMEMBASSY TOKYO 1683  
RUEHUL/AMEMBASSY SEOUL 0660  
RHEBAAA/DEPT OF ENERGY WASHDC  
RUCPDO/DEPT OF COMMERCE WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC  
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SUBJECT: KAZAKHSTAN: SMALL OIL COMPANY HOPES TO MAKE IT BIG  
SOMEDAY

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[1](#)1. (U) Sensitive but unclassified. Not for public Internet.

[1](#)2. (SBU) SUMMARY: On May 14, the Chief Executive Officer of Canamens, an independent oil and gas exploration and production company with headquarters in London, briefed the Charge on the company's plans and activities in Kazakhstan. Canamens does not currently own or operate any producing assets in Kazakhstan, but it does own 32.5 percent of the Ravninnoe Contract Area and 35 percent of the BNG Contract Area and is conducting appraisal work at both sites. Kazakhstani company Roxi Petroleum LLC, registered on the London Stock Exchange, is the majority shareholder in both projects. Canamens' biggest concerns in Kazakhstan are macroeconomic stability, the government's cash position, the lack of a transparent gas market, and insufficient crude oil transportation capacity. END SUMMARY.

TWO BLOCKS EAST OF TENGIZ

[1](#)3. (SBU) Ravninnoe is located onshore in Atyrau oblast, 100 kilometers east of the supergiant Tengiz oil field, and covers 121 square kilometers. Initial reserve estimates on the Ravninnoe field, as reported by McDaniel and Associates Inc., are 3.7 million barrels. The BNG field is located in Mangistau oblast, 40 km from Tengiz, and covers approximately 1,560 square kilometers. On May 18, Canamens agreed to pay a maximum of \$50 million towards the BNG work program, which will cover planned work commitments on the contract area for 2009 and 2010. As much as \$27 million of this initial investment will be spent in 2009 on seismic testing and appraisal drilling, with the remainder earmarked for 2010. Canamens CEO Greg Coleman (protect throughout) said it is still too early to predict production volumes from the two fields, but he expects combined production to be approximately 100,000 barrels per day.

PIPELINES SQUEEZE SMALL PRODUCERS

[1](#)4. (SBU) Unlike the major international oil producers in

Kazakhstan, Coleman said his company would like to market the gas it produces, rather than reinjecting it, but he complained that Gazprom and the oblast government exercise monopoly control over the gas market and would not offer a fair market price for the gas. He also said that oil transportation capacity is constrained in Kazakhstan and export options are limited. "We'll have to heavily discount for that," Coleman said, noting that Canamens will most likely export its crude oil through Russia, via the Atyrau-Samara or Caspian Pipeline Consortium (CPC) pipeline. Coleman added that Canamens will be able to justify exploration and production costs, even if oil prices fall "slightly below" \$50/barrel.

ROXI CEO PREVIOUSLY ARRANGED OIL SWAPS WITH IRAN

15. (U) The CEO of Roxi Petroleum, Rob Schoonbrood, age 62, has 40 years of energy sector experience, primarily in oil and gas exploration and production. He spent the first 30 years of his career with the Royal Dutch Shell Group and held a variety of positions, including Business Development Manager of Oil Products East for Shell International Petroleum Company in London and Chief Executive of Shell Markets Middle East in Dubai. He left the Royal Dutch Shell Group in 1999. Since then, he has acted as an independent business consultant to a variety of companies in Kazakhstan. He initiated and implemented a crude oil swap agreement between Kazakhstan and Iran on behalf of CJSC Munai Impex and acted as a senior advisor to the management of PetroKazakhstan, with an emphasis on business with Iran, Kazakhstan and China. From 2002-03, he was President of Unioil AG, an independent oil transport and trading company with niche business around the Caspian Sea, and from 2004-05, he was Operations Director of Cobalt Energy Group, a U.S.-based wholesale company.

16. (SBU) COMMENT: Consistent focus on the world's largest companies developing some of the world's largest oil and gas fields can skew one's perspective. Speaking with smaller companies such as

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Canamens can help to restore that perspective and also reveal new truths about investing in Kazakhstan. Not that the ambitions of Canamens are all that small. To provide context, if Canamens is able to produce 100,000 barrels per day as expected, that would put them in the neighborhood of the total daily oil production of Uzbekistan or Romania. Unlike the major international oil companies operating in Kazakhstan, Canamens would prefer to market its natural gas commercially, rather than reinjecting it to maintain pressure for oil production. Canamens CEO Coleman called reinjection "wasteful" and lamented the fact that Gazprom and KazMunaiGas have monopolized the gas market in Kazakhstan. He would clearly like the opportunity to sell the gas rather than pumping it back into the ground, but he said if Canamens cannot get a decent price for it, they will have no choice. In addition, as a smaller company with fewer assets and less leverage, Canamens is more susceptible to sudden shifts in the investment climate and macro economy. Coleman said he worried, for example, that the government would "ask to borrow money" or require the company to make unexpected contributions to the budget. While these are issues that would concern all foreign investors, it was obvious that Canamens would be less able to withstand pressure of this sort than large IOCs such as ExxonMobil. END COMMENT.

MILAS